Denny's, Inc.
1982 Annual Report

New Items Create Menu Interest and Boost Sales

1982 Highlights

SYSTEMWIDE SALES REACH $1.05 BILLION

CORPORATE REVENUES UP 13% TO $956 MILLION

NET INCOME $37 MILLION
EARNINGS PER SHARE $2.47

RESTAURANT DIVISION GROWTH ACCELERATES

WINCHELL'S MARGINS CONTINUE IMPROVEMENT

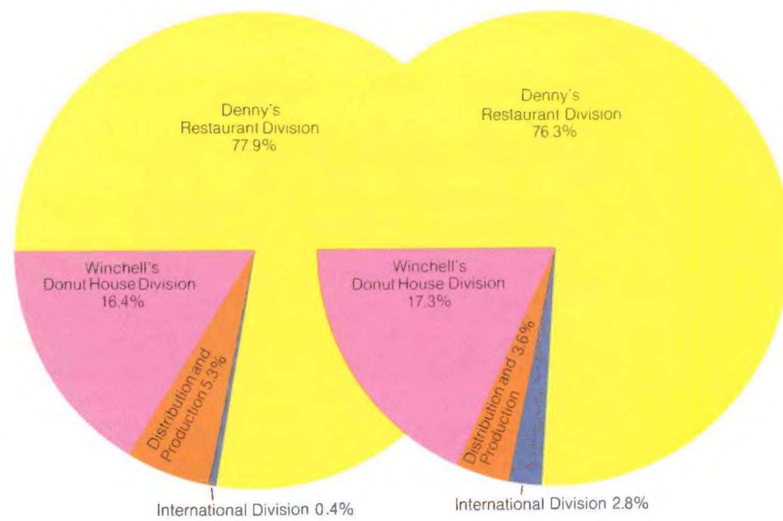
1982 Financial Summary

(Dollar amounts in millions, except per share data)

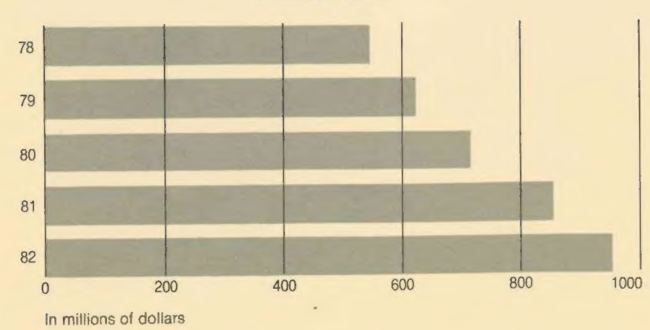
	1982	1981	Change
Revenues	$955.7	$849.0	12.6%
Operating income of divisions	$ 63.9	$ 55.0	16.2%
Percent of revenues	6.7%	6.5%	
Net income	$ 36.8	$ 26.9	36.6%
Percent of revenues	3.8%	3.2%	
Per share (primary)	$ 2.47	$ 2.02	22.3%
Dividends declared	$ 9.1	$ 7.9	14.9%
Per share	$ .61⅓	$ .58⅔	4.5%
Capital expenditures	$ 75.8	$ 45.6	66.3%
Working capital provided from operations	$ 76.4	$ 67.6	12.9%
Total assets	$598.3	$551.3	8.5%
Shareholders' equity	$224.2	$195.4	14.7%
Return on average equity	17.5%	16.6%	
Number of employees at year end	49,700	49,400	0.6%

1982 Corporate revenues

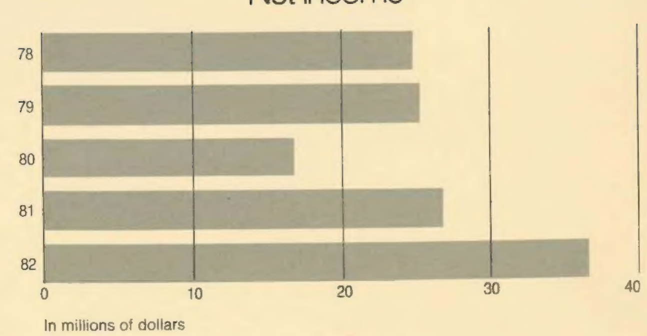
1982 Corporate operating income



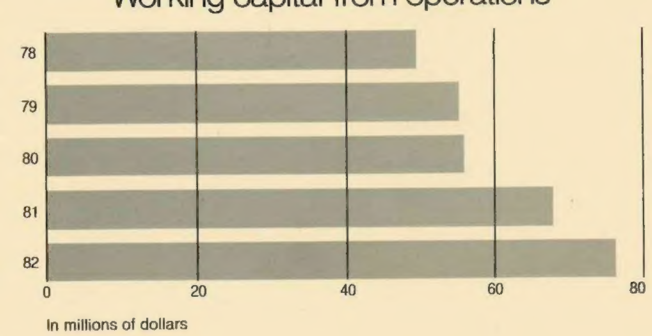
Revenues



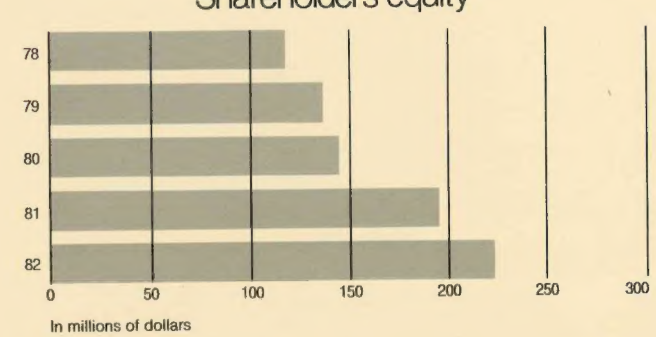
Net income



Working capital from operations



Shareholders' equity



Letter to Shareholders

During the year ended June 1982 Denny's, Inc. continued to make progress toward its objective of leadership in the moderately-priced, full service segment of the foodservice industry. Record sales and earnings were achieved in a time of continuing economic weakness in the United States. System-wide sales for the first time exceeded $1 billion. Company revenues were $955.7 million, up 12.6% from the previous year, while net income increased 36.6% to $36.8 million. Earnings per share were $2.47, up 22.3% from $2.02 in 1981, after adjustments for the 3-for-2 stock split of April 1, 1982.

These results strengthen our belief that customers will respond to good value and competitive offerings of quality food and service at reasonable prices. It is our mission as a Company to benefit our customers, employees, and shareholders by offering such quality food and service.

Our People

An able group of managers has been assembled to direct the Company and its divisions, and the corporate and division officers have demonstrated both ability and leadership in solving problems that have arisen during the year and in creating an environment to enable us to reach our potential. The operational, financial, and marketing decisions made by this group in recent years are reflected in our results. With that guidance, 50,000 valued Denny's employees have helped us achieve a successful year.

Restaurant Division

Denny's Restaurant Division is increasing its share of the market dominated by chains, and some of the strongest competition in this particular market segment now comes from regional chains. According to CREST, a marketing research organization funded by major foodservice companies, Denny's share of revenues of the five major full service, moderately priced, family restaurant chains grew from 17% for the twelve months ended February 1979 to 25% for the twelve months ended May 1982. During this period a number of these chains significantly decreased their rate of expansion and scope of operations.

THE BREADED CHICKEN FILLET STRIP DINNER IS JUST ONE OF THE RECENT ADDITIONS TO THE DENNY'S MENU THAT IS BOOSTING SALES

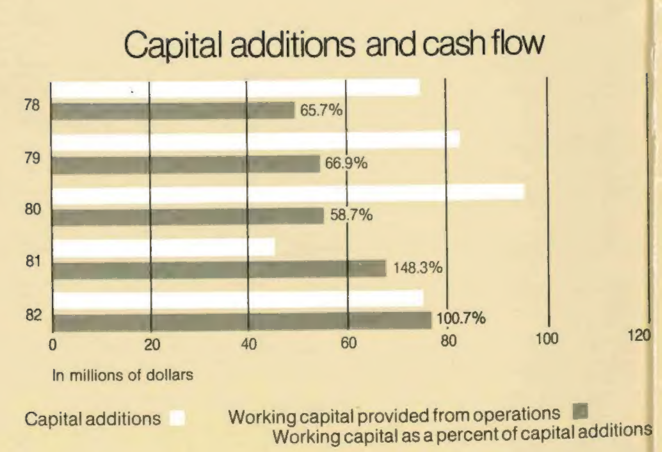
Denny's also reduced its rate of expansion while we reevaluated our site selection criteria and developed a more appropriate Restaurant. We have now completed these tasks and our rate of expansion is increasing. We plan to develop about 50 new Restaurants in fiscal 1983, a sizable increase from the 15 developed in the year covered by this report. Considerable time has been spent on identifying geographic regions where we see opportunities to improve our competitive position.

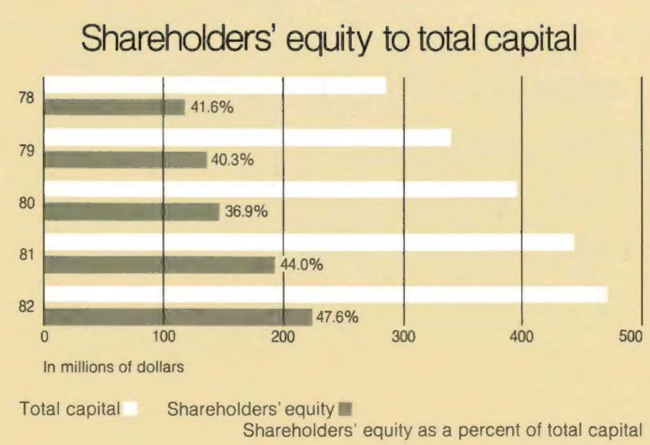
During the year we acquired 39 Restaurants from other chains which have been or will be remodeled and converted to Denny's. Additionally, we have agreed to acquire 23 Restaurants in Southern California which will be converted to Denny's beginning in October 1982. This program has allowed us to obtain high quality sites not otherwise available for an amount significantly below the cost of developing them ourselves. Our approach, however, has not changed in that we continue to follow strict criteria for new site locations. Our improved financial condition and liquidity has made it possible to move on these opportunities when they become available.

CUSTOMERS ALWAYS FIND A WIDE CHOICE OF QUALITY DONUTS AND BAKED GOODS AT WINCHELL'S

Our goal is to become a more marketing driven organization and to be sensitive to the needs of our customers. Consequently, we have made a number of improvements to our menu to include such lighter foods as ocean perch, mountain trout, and summer salads along with occasional surprises such as pita pocket sandwiches and eggs benedict. We continue to regionalize our menu so that preferences of customers in various geographical areas are given consideration. These changes have been beneficial and are reflected in the fact that during fiscal 1982 sales at 209 Restaurants exceeded $1 million compared with 126 Restaurants last year and 57 in 1980.

NEW TABLE SETTINGS HARMONIZE WITH NEW RESTAURANTS





Goals

Short-term Restaurant Division goals include the following:

- Focus on maintaining a consistent standard of high quality food, service, and environment that meets or exceeds our customers' expectations. We hope to continue to build customer traffic as a result of ongoing improvement in our operations.
- Emphasize programs to improve our return on investment in existing units as measured by return on assets. We hope to accomplish this through efficient purchasing programs, optimizing use of our manufacturing and distribution capabilities, improving our property development and management programs, and the initial use of point of sale devices to improve control and obtain information on which to base marketing decisions.
- Further crystallize regional strategies to serve as the base for continued market leadership in key geographic areas.
- Better develop and train our people, providing incentives as necessary to improve productivity and further reduce employee turnover and related costs.

Donut House Division

In the Winchell's Division, the program to close low volume, unprofitable Donut Houses initiated two years ago is now complete. A total of 120 units were closed, and this operation is now better able to cope with competitive conditions of the market. The reserve established two years ago is adequate to provide for all the costs related to the closings.

THE NEW GARDEN PATCH SANDWICH FEATURES THIN SLICED TURKEY, AMERICAN CHEESE, TOMATO SLICES, ALFALFA SPROUTS, CHOICE OF AVOCADO OR BACON, CHOICE OF DRESSING. SERVED OPEN FACE ON WHOLE WHEAT BREAD

Winchell's has been strengthened by the addition of a line of products, including brownies, cheese cake, and coffee cake, which has broadened our customer appeal and still has enabled us to maintain our basic image of a high quality bakery. Additional products are being considered.

The Division now gives much more precise direction to the day-to-day operation of the retail Donut Houses. In the past, daily operations were accomplished by unit managers without detailed direction. This change in management has been very worthwhile. Accompanied by favorable commodities costs, it has resulted in improved margins.

Outlook

Our outlook for the Company is influenced by concerns about the economy and the ability of the nation to cope in today's volatile economic environment. We are convinced, however, that our citizens are willing to put forth the required effort to strengthen the position of our country if direction is shown and leadership provided. With a reasonably sound economy during the year ending June 1983, we believe the Company's revenues and net income will grow at an acceptable rate.

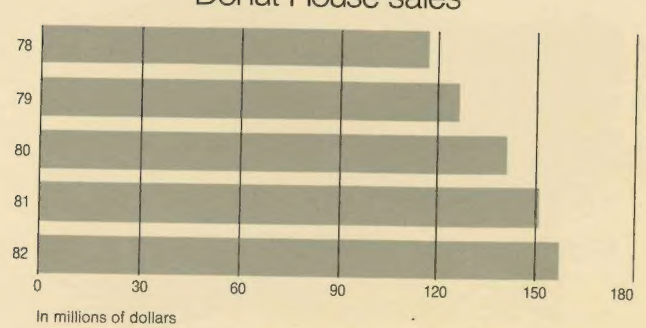
MENU SPECIALS ARE PROMOTED WITH ATTENTION GETTING TABLE AND COUNTER DISPLAYS

Looking longer range, many economists predict a continuation of the factors that have been beneficial to well managed foodservice companies. We believe this to be the case as well and feel the free market system provides the best environment to develop new technologies for efficient production and delivery of food to consumers. Denny's, Inc. is a part of this evolutionary system, and we plan to be a leading participant in the development of the innovations that will occur.

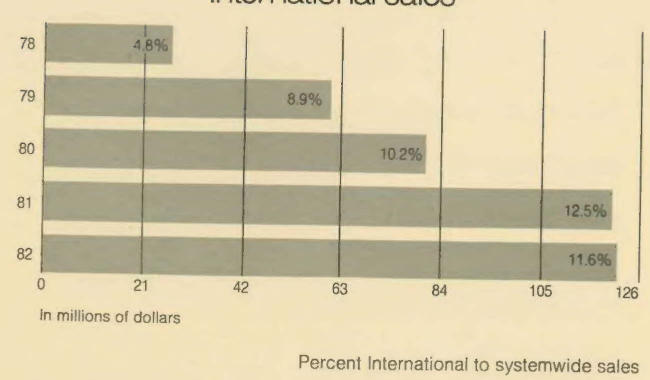
On August 13, 1982 Joseph H. Coulombe was elected to the Board of Directors. Mr. Coulombe is founder and president of Trader Joe's Markets, a 20 unit Southern California foodmarket chain known for innovative merchandising. He is an active and articulate community leader in matters relating to food, wine, and nutrition. We welcome him to our Board.

Vern O. Curtis
President
August 20, 1982

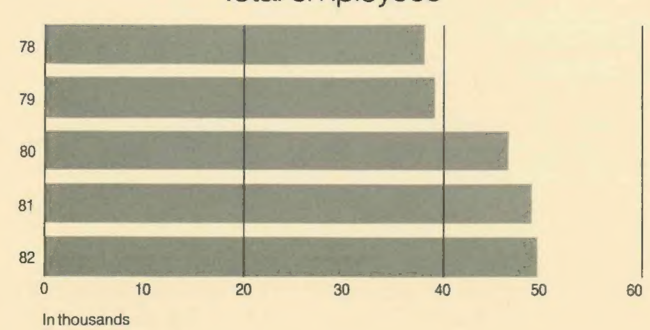
Donut House sales



International sales



Total employees

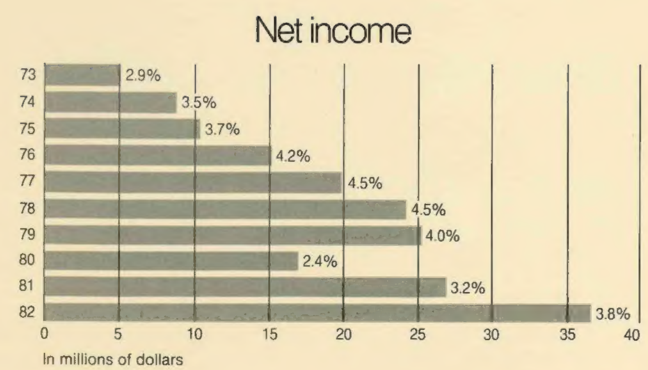


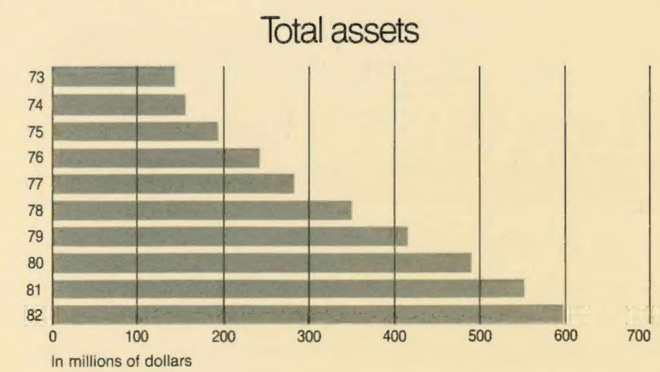
Ten Years of Growth

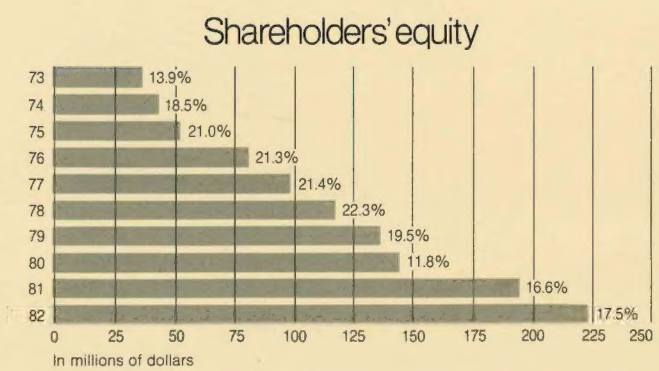
Denny's, Inc.
Financial Data in Thousands (except for per share figures)

FISCAL YEAR ENDED JUNE		1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
Systemwide Sales of All Units	Company	$ 895,675	$806,508	$676,646	$583,422	$503,153	$401,221	$325,097	$261,302	$200,562	$147,847
	Franchise	28,892	30,054	31,161	36,433	40,766	39,569	42,538	42,515	44,026	44,954
	Foreign licensees and affiliates	120,955	119,416	80,240	60,479	27,401	14,046	9,206	8,370	7,282	6,584
	Total systemwide sales	$1,045,522	$955,978	$788,047	$680,334	$571,320	$454,836	$376,841	$312,187	$251,870	$199,385
Operations	Revenues	$ 955,737	$849,030	$716,509	$623,877	$545,616	$432,976	$353,898	$283,381	$221,773	$171,567
	Operating income of divisions	$ 63,933	$ 54,999	$ 32,246	$ 49,752	$ 49,283	$ 40,986	$ 32,145	$ 24,659	$ 17,653	$ 12,153
	Costs not allocated to divisions — General and administrative	9,050	6,929	5,339	4,216	3,168	2,845	2,579	2,004	1,015	857
	Employee profit sharing	4,208	3,028	1,912	2,736	2,720	2,329	1,766	1,352	717	100
	Interest expense (income) net	(15,801)	(3,476)	(769)	(418)	333	616	988	783	1,148	1,456
	Income before income taxes	$ 66,476	$ 48,518	$ 25,764	$ 43,218	$ 43,062	$ 35,196	$ 26,812	$ 20,520	$ 14,773	$ 9,740
	Provision for income taxes	29,700	21,600	8,800	18,150	18,750	15,510	11,800	10,160	7,060	4,700
	Net income	$ 36,776	$ 26,918	$ 16,964	$ 25,068	$ 24,312	$ 19,686	$ 15,012	$ 10,360	$ 7,713	$ 5,040
	Operating income of divisions as a percentage of revenues	6.7%	6.5%	4.5%	8.0%	9.0%	9.5%	9.1%	8.7%	8.0%	7.1%
	Net income as a percentage of revenues	3.8%	3.2%	2.4%	4.0%	4.5%	4.5%	4.2%	3.7%	3.5%	2.9%
Number of Operating Units	**Denny's Restaurants** — Company operated	856	799	762	660	573	505	444	394	332	275
	Franchised operated	34	38	40	47	63	67	77	88	101	115
	Foreign licensees and joint ventures	181	164	138	80	53	40	10	3	2	—
	Total Denny's	1,071	1,001	940	787	689	612	531	485	435	390
	Winchell's Donut Houses — Company operated	836	870	964	915	847	754	681	618	564	511
	Foreign licensees	14	8	4	2	7	2	—	—	—	—
	Total operating units	1,921	1,879	1,908	1,704	1,543	1,368	1,212	1,103	999	901
Cash Flow	Working capital provided from operations	$ 76,391	$ 67,639	$ 55,638	$ 55,378	$ 49,454	$ 37,576	$ 29,290	$ 21,600	$ 17,429	$ 14,910
	Expenditures for property, plant and equipment	$ 75,832	$ 45,603	$ 94,836	$ 82,753	$ 75,294	$ 63,642	$ 46,508	$ 40,912	$ 27,881	$ 26,237
	Percentage of working capital provided from operations to capital expenditures	100.7%	148.3%	58.7%	66.9%	65.7%	59.0%	63.0%	52.8%	62.5%	56.8%
Assets	Total assets	$ 598,267	$551,312	$489,035	$414,212	$348,168	$282,099	$236,137	$190,757	$159,093	$143,106
	Depreciation and amortization	$ 35,877	$ 33,879	$ 30,129	$ 24,552	$ 20,061	$ 16,579	$ 13,650	$ 10,609	$ 9,187	$ 7,919
Capital	Debt and capital leases	$ 247,272	$248,634	$250,098	$202,783	$166,432	$134,997	$111,773	$105,322	$ 85,202	$ 81,154
	Shareholders' equity	224,175	195,430	146,489	137,014	118,473	98,868	82,309	52,836	44,062	37,515
	Total capital	$ 471,447	$444,064	$396,587	$339,797	$284,905	$233,865	$194,082	$158,158	$129,264	$118,669
	Shareholders' equity as a percentage of total capital	47.6%	44.0%	36.9%	40.3%	41.6%	42.3%	42.4%	33.4%	34.1%	31.6%
	Return on average shareholders' equity	17.5%	16.6%	11.8%	19.5%	22.3%	21.4%	21.3%	21.0%	18.5%	13.9%
Common Stock	Net income per share — primary	$ 2.47	$ 2.02	$ 1.30	$ 1.92	$ 1.88	$ 1.53	$ 1.25	$ .92	$ .69	$ .45
	Net income per share — fully diluted	$ 2.40	$ 1.97	$ 1.29	$ 1.88	$ 1.82	$ 1.50	$ 1.23	$ .91	$ —	$ —
	Dividends per share	$ .61⅓	$ .58⅔	$ .58⅔	$ .54⅔	$ .43⅓	$ .32	$ .23⅓	$ .13⅓	$ .08	$ .04
	Book value per share	$ 15.02	$ 13.16	$ 11.21	$ 10.50	$ 9.11	$ 7.67	$ 6.78	$ 4.42	$ 3.45	$ 2.70
	Average number of shares outstanding	14,869	13,294	13,063	13,032	12,945	12,837	11,982	11,204	11,200	11,148
	Number of shareholders at year-end	4,000	4,300	4,800	5,300	5,800	6,300	6,500	7,400	8,100	8,200
Employees	Number of employees	49,700	49,400	46,700	39,400	38,100	32,700	29,300	25,300	21,200	19,200
	Total salaries, wages and fringe benefits	$ 372,179	$333,135	$287,933	$250,730	$211,964	$170,746	$137,630	$108,069	$ 84,057	$ 63,092

All per share figures and the average number of shares outstanding have been adjusted for the 3-for-2 stock split of April 1, 1982.
1980 includes a charge of $9,930,000 for the closing of over 100 Donut Houses. The after tax effect of the charge amounted to $5,200,000 and resulted in a $.40 reduction in net income per share.







Operations Review

Denny's Restaurant Division

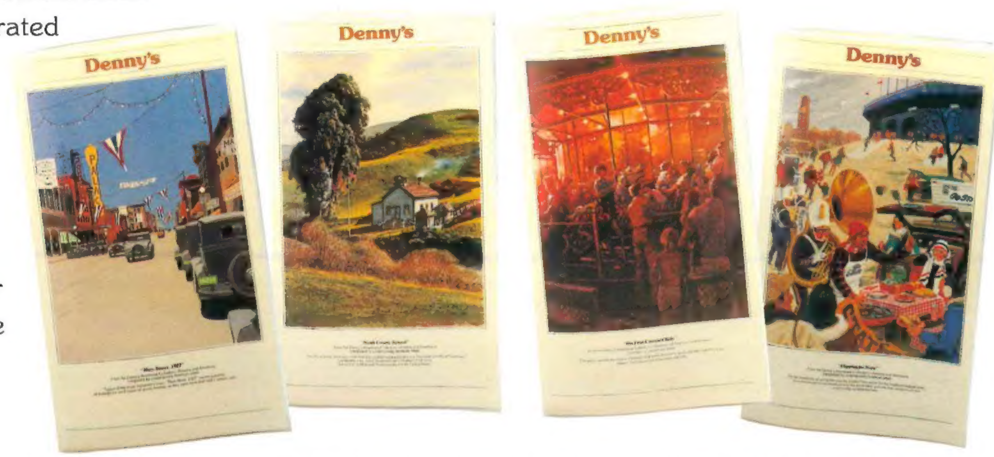
	1982	1981	1980	1979	1978
					($ in millions)
Revenues	$744.3	$660.7	$541.3	$462.8	$393.3
Operating income	$ 48.8	$ 42.9	$ 34.1	$ 37.2	$ 33.7
Operating margin	6.6%	6.5%	6.3%	8.0%	8.6%

Denny's Restaurant Division closed the 1982 fiscal year with revenues 12.6% higher than the previous year and operating income up 13.7%. Of the Division's total revenues for the year, $738.6 million was received from Company operated units in the United States and Canada and $5.7 million from franchised units in the U.S. The number of franchised units declined to 34 at year end. At the close of 1982, there were 845 Company operated Restaurants in 43 states and 11 in Canada. Operating margins improved despite the impact on volume from the harsh winter in the Midwest and East Coast.

During the past year the Division continued its progress towards greater decentralization of management, more regional flexibility, a broader menu, and increased responsiveness to customer preferences.

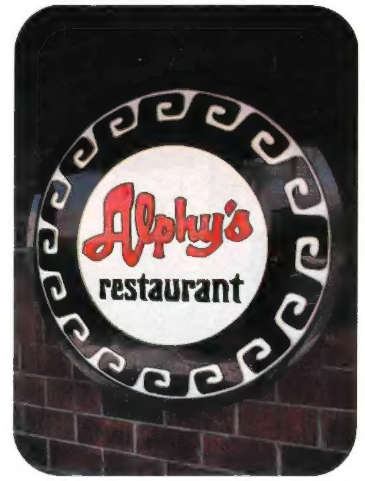
It is our belief that customers, despite the difficult economic climate, will respond favorably to a range of menu choices attractively priced. To achieve this response, we are determining what foods customers prefer on a local and regional basis, and are building the necessary flexibility into our menu to meet these varying and changing preferences. More than ever before we are "listening" to our customers. Increased use of market research, direct questioning of people in the Restaurants, and wide scale testing of new and proposed menu items are all employed in our effort to implement the "customer driven" dedication of the Division.

Evidence of the effectiveness of our approach is found in the 66% increase last year in the number of Restaurants doing over $1 million in annual business (from 126 units a year ago to 209) and in the increase in average sales of comparable units from $831,000 a year ago to $907,000 in 1982. While some of these improved figures are the result of menu price increases, which equalled about 5% in fiscal 1982, the higher volumes also represent greater customer traffic.



NEW COLORFUL MENUS ARE PART OF THE CHANGING FACE OF DENNY'S. THE COVERS ARE REPRODUCTIONS OF SPECIALLY COMMISSIONED PAINTINGS OF EARLY 20th CENTURY AMERICA

Further evidence of the impact of our marketing and customer relations programs comes from interview-type customer surveys and indicates that the public "image" of Denny's has never been better and continues to move in a positive direction. Public confidence and respect is not easily won and it has taken years of work and resources to create this favorable perception.

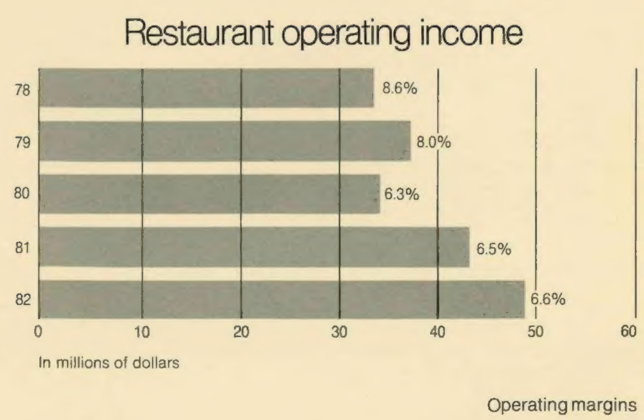


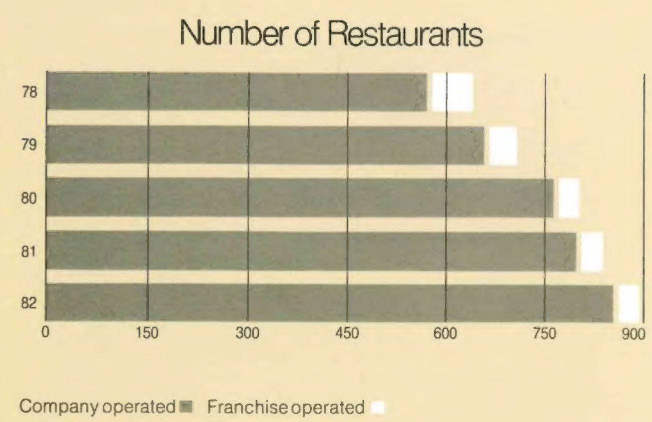
23 ALPHY'S IN SOUTHERN CALIFORNIA WILL BE CONVERTED TO DENNY'S THIS YEAR

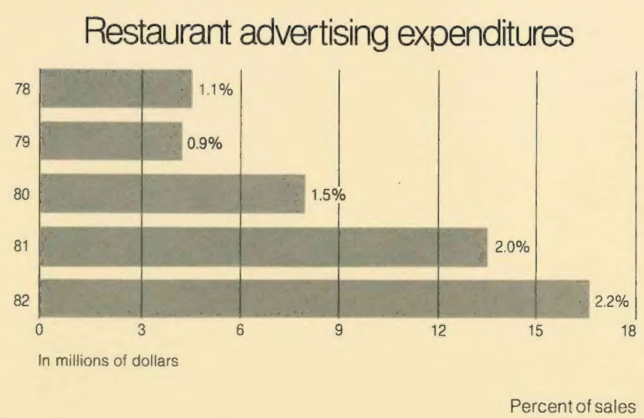
Marketing, of course, embraces a long series of steps that must be taken before our Restaurants, our people, and our foodservice are at the state of readiness when they can be actively promoted and the public invited to try our products. Thus expenditures on advertising are closely linked to our pride in our product, and the fact that Restaurant Division advertising expenditures have risen from $8.0 million (1.5% of sales) two years ago to $16.7 million (2.2% of sales) this year reveals the growing confidence Division management has in its ability to please the public.

While the total advertising budget has been rising, somewhat less use is being made of national television. In line with our moves towards greater regionalization, we are taking advantage of the flexibility of local and regional television opportunities. As advertising is just part of marketing (since we consider menu development an important aspect of marketing) we supplement our advertising with a continual flow of menu "specials" that are designed to appeal to segments and sub-segments of our customers. Senior citizens, for example, are now being offered entrees which are smaller portions at reduced prices. The seniors tend to eat at earlier dinner periods when our staff is less busy and can spend more time with these customers.


DESIGNED FROM THE GROUND UP WITH THE CUSTOMER IN MIND. ABOUT 50 OF THESE NEW SERIES 81 DENNY'S WILL BE BUILT DURING THE CURRENT YEAR







Our older guests can linger over their meals and enjoy the warmth and hospitality of our units.

Some restaurant operators have designed units with a minimum of comfort and appeal with the objective of making customers hurry through their meals. Denny's has never subscribed to this approach. Our units are warm and inviting and our people undergo training in how to make customers feel welcome, whether ordering just coffee, a sandwich, or a full meal.

During the past year we built 15 of our new Series 81 Restaurants. These units were planned from the ground up with the customer in mind. People outside can see in, those inside can see out. The building makes a simple statement about Denny's — "Come in. This is a family Restaurant where you will find what you want to eat in a comfortable atmosphere." We have gone back to what was once called "exhibition cooking." People like to see the waitresses and cooks at work. They see that our people are busy, doing their jobs. This helps customers understand the time it takes to prepare their order.

The Series 81 has a larger kitchen than its predecessors because it is designed to handle larger sales volumes. It is being built in a range of seven sizes from 100 to 170 seats as part of our desire to shape every aspect of our business to the local market in which a unit is placed. Most of the units being built are the 120 seat size. Our remodel program has been adapted to the specifications of the Series 81 design.

While the development process was underway for the Series 81, we re-examined our site acquisition criteria and made many significant alterations in order to implement our concept of greater regionalization and incorporate what we have learned from customer surveys. We evaluate markets one by one. We evaluate local and chain competition, do demographic analysis, and review regional differences in order to develop only units with superior sales potential. Denny's has never been driven by the need for growth for growth's sake; rather we are committed to a policy that we will not expand into an area unless the proposed unit can demonstrate that it will produce profits that meet our return on investment expectations. With these performance standards before us, we are developing in our preferred markets. These

DENNY'S DRESSES UP FOR THE 80s WITH NEW UNIFORMS DESIGNED TO PROMOTE THE PROFESSIONAL IMAGE OF OUR EMPLOYEES

markets include California, Texas, and Florida, supplemented by certain areas such as Washington, D.C. and areas of the northeast (Pennsylvania, Connecticut, and Massachusetts). During the next three to five years the bulk of Denny's expansion will be in these and other "prioritized" areas.

Because of our 24 hour operation, the lack of night traffic tends to keep us out of core downtown areas. Our ideal location is one which will give us a relatively smooth and continuous flow of customers all through the day and night.

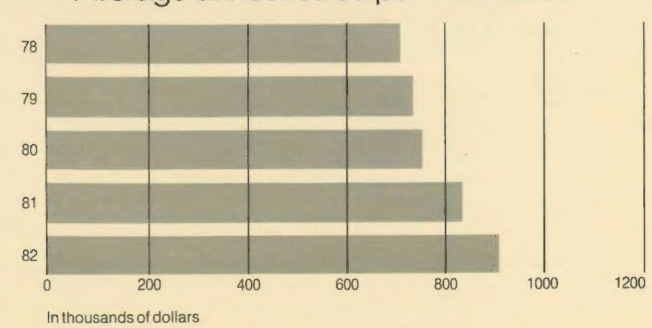
26 VIP'S ARE BEING OPERATED BY THE COMPANY AND WILL BE CONVERTED TO DENNY'S DURING THE YEAR

Location is just one of several essential factors. Smooth team operations and effective marketing are vitally important. A service-oriented concept such as Denny's relies heavily on its people and the presentation and marketing of its products. Our sole purpose is to satisfy our customers. If we achieve this, sales and profit growth will follow. We focus our training on the basics of people, food, service, sanitation, and dollar value. We have time standards for getting our customers seated and served. When they are ready to leave, we want them to receive the check promptly and be sent on their way with a smile and a thank you.

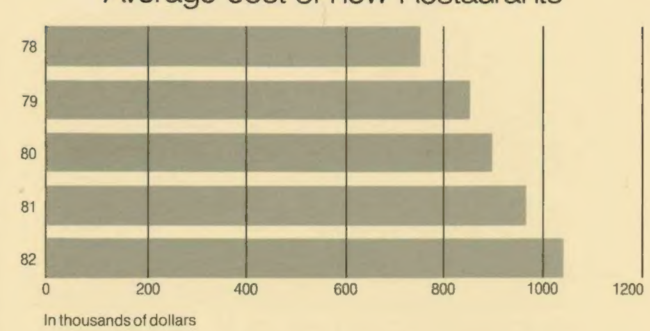
Because such a high percentage of our business comes from repeat customers (about 60% of our sales are from 20% of our customers), our marketing programs must not only attract new customers but keep our present customers excited and interested in our menus. Accordingly, we are constantly adding new menu items, and putting others aside, in order to keep the total "feel" of our menu fresh and varied. We do not intend to enlarge the number of items served from the current menu. We feel 125 offerings is the right size, not so large it is overwhelming, but big enough to offer something to everyone, regardless of his or her taste.

Thus, the menu is constantly changing, yet nothing, regardless of how exciting or appealing, is introduced on our menu without rigorous prior testing. Our new printed menus have space for daily specials where new items are introduced, shown in color, and explained. If successful as daily or regional specials, these may later be placed on the permanent menu. The menu development aspect of our marketing has been so effective over the past couple of years that today 25% of our Denny's sales come from items that were not on the menu two years ago.

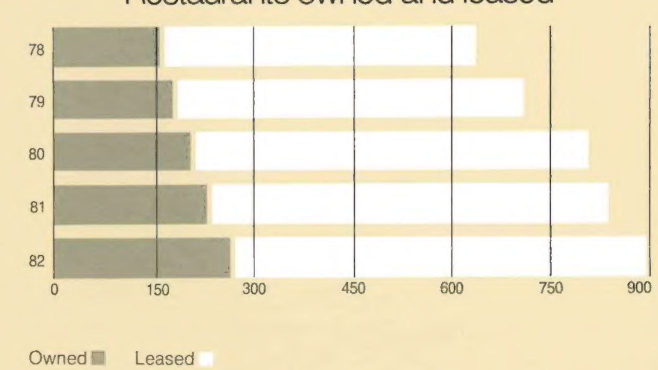
Average annual sales per Restaurant



Average cost of new Restaurants



Restaurants owned and leased



While our over-riding objective is to give customers what they want to eat at a price they

SERIES 81 KITCHENS ARE BIGGER AND MORE EFFICIENT TO HANDLE HIGHER VOLUMES

can afford, an equally demanding objective is to be one of the lowest cost providers of foodservice. A number of effective efforts to improve operating margin levels have been developed and utilized. One is the "Key Market Business Plan" in which all resources are focused on a particular market area for a short, intense period. This strategy evolved in an area which had a number of problems and it has now been refined and structured to be usable elsewhere. It has proved very effective, improving customer reaction, employee morale, and profitability.

The effect of programs like these has been very beneficial. In spite of the greatly increased costs of marketing, our Restaurant Division operating margins have improved modestly over the past two years and Division management believes further improvement can be realized. Cost improvements also have been gained through higher utilization of the Company's production and distribution capabilities.

We have increased our share of the total market in geographical areas where Denny's is already strong. This increase comes from concentrating much of our new unit growth in these key areas and by increasing customer traffic through a keen sense of understanding what our customers want. By retaining our current relative price position versus competitors and emphasizing the basics of consistent high quality in food, service, and sanitation, we believe we can further increase customer traffic.

One of the keys to profitability during the current fiscal year will be the performance of the 62 Restaurants recently acquired or under agreement to be acquired from competitors. These are now coming on stream and if they generate the sales and profits anticipated they will provide excellent return on our investment. Of the 62 Restaurants acquired, 39 were operating during fiscal 1982 and the remaining 23 will be converted to Denny's during 1983. During fiscal 1983 we will build about 50 of our new Series 81 Denny's. The cost of building a new Denny's — land, building, and equipment — continues to climb sharply, rising about 30% in the past three years to a total of about $1 million. This substantial figure underlines the profit potential of purchased units which are acquired for amounts significantly below what it costs us to develop similar properties.

JUST A FEW MONTHS AGO THIS RESTAURANT IN FLORIDA BELONGED TO ANOTHER CHAIN. IT IS ONE OF 39 ACQUIRED LAST YEAR

LIGHT, OPEN, AND AIRY INTERIORS ARE A FEATURE OF THE NEW SERIES 81 RESTAURANTS

During 1982 the Division served over 250 million customers and it is now the second largest chain in its segment of foodservice, with a considerable lead over the remainder.

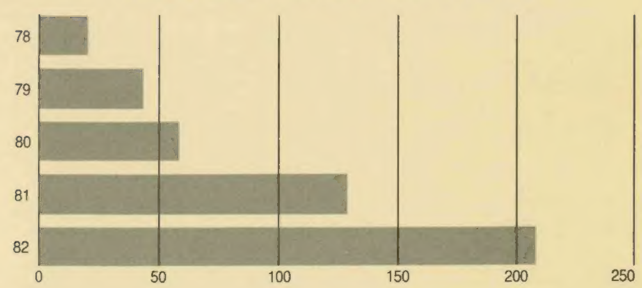
During 1983 Division attention will focus on increasing customer traffic, further improvement in return on investment, and the development of strategies for the next three to five years. We will accelerate the remodeling of older units to capitalize on the appeal of the Series 81 design. Continued attention will be given to menu pricing, especially in the context of the cost comparison between eating out and eating at home. Further regional "fine tuning" of the menu will be implemented and a number of attractive menu additions are planned.

Donut House Division

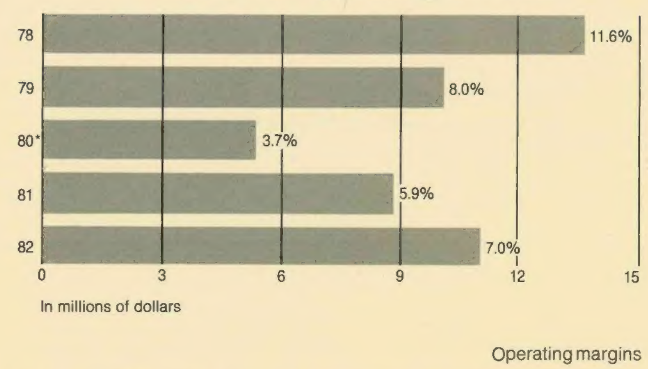
	1982	1981	1980	1979	1978
					($ in millions)
Revenues	.$156.5	$151.0	$141.1	$127.0	$117.4
Operating income (Loss)	..$ 11.0	$ 8.9	$ (4.7)	$ 10.2	$ 13.6
Operating margin	.. 7.0%	5.9%	—	8.0%	11.6%

The year reflects continued improvement in operating margins that began in 1981, with the result that operating income rose 24.5% from a year ago. Operating income in 1980 was $5.2 million before a $9.9 million write-off in connection with the closing of low volume, unprofitable units. The program to

Million dollar sales Restaurants

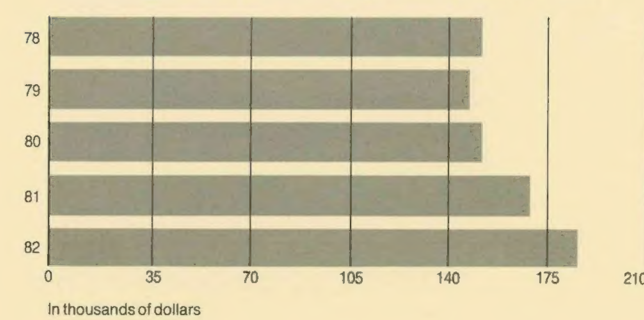


Donut House operating income



*Before a charge of $9,930,000 before taxes in connection with the closing of unprofitable Donut Houses.

Average annual sales per Donut House



close these units is complete and the Division is now in a much better position to compete effectively. A total of 120 units have been closed and the reserve provided two years ago is adequate to cover all costs related to closings.


MOTIVATED EMPLOYEES PLEASE DONUT HOUSE CUSTOMERS

Average sales per Donut House for the year just ended were $184,000, up from $168,000 a year ago and $150,000 in 1980. Part of the increases in 1982 and 1981 was the result of closing low volume units and part was due to higher prices for products sold. Customer traffic declined slightly.

We expect continued improvement in margins in 1983. The commodities picture is favorable, and full implementation will be achieved of the key programs developed in the past two years to strengthen control over retail operations. Emphasis will be placed on further strengthening of administrative procedures and on extending throughout the chain improved store manager and store employee remuneration and incentive programs. Successful operations continue to reflect better quality and fresher products, cleaner stores, and better trained employees.

The line of sweet baked goods, comprising brownies, cheesecake, and coffeecake, now offered in over 550 Donut Houses will be expanded to 800 units. The existing line of donuts will be "freshened" with new varieties and regional items introduced where appropriate. Testing continues on other possible additions to the product line.

Three Donut Houses were opened during the year and 37 were closed. Foreign licensees opened six. At the end of the year, there were 836 Donut Houses in the United States and 14 abroad. It is expected that about 10 new Donut Houses will be opened in the current year and approximately 60 older units will be updated with new signs and booths, brighter lighting, music, and illuminated menu boards.

During 1982 the Division spent $5.0 million on advertising, equal to 3.2% of sales. This is an increase over the previous year when $4.4 million, equal to 2.9% of sales, was spent. There has been a shift in advertising strategy by the Division from short term promotions to bring in immediate sales to a longer range approach stressing quality, price, and attractive new products.

EARLY MORNING CUSTOMERS APPRECIATE THE SPEED AND CONVENIENCE OF DRIVE THRU SERVICE

The quality of Donut House managers has improved during the past two years because of new selection procedures and higher salary and incentive schedules. It is expected that this improvement will continue with costly store manager turnover declining.

The environment in which the Donut House Division operates is mixed. There is a strong customer base and name recognition and a solid core of profitable units. However, the market for donuts is growing slowly and competition for breakfast is strong. Customers, however, are responding favorably to marketing and shop improvement programs that emphasize quality and variety.

International Division

	1982	1981	1980	1979	1978
					($ in millions)
Revenues	$ 3.3	$ 2.7	$ 1.9	$ 1.5	$ .6
Operating income	$ 1.8	$ 1.8	$ 1.4	$ 1.1	$ .4

Total sales by licensees of the International Division grew to $121 million in 1982, an increase of 1.3% over 1981. These sales represented 11.6% of Denny's, Inc. total systemwide sales compared to 12.5% in 1981. Operating income has not grown as rapidly as revenues, as we devoted considerable resources to developing opportunities outside the United States. Foreign licensees opened 18 Restaurants and closed one, and opened six Donut Houses. At the end of 1982, there were 181 foreign licensed Restaurants and 14 Donut Houses.


EVENING AMBIENCE AT ONE OF THE NEWER DENNY'S IN JAPAN

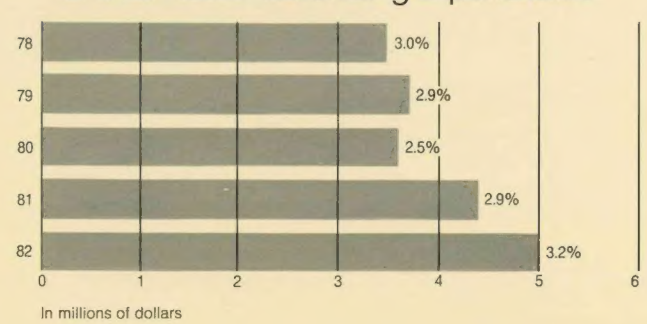
The most significant element of these activities continues to be our Denny's licensee in Japan. Ito Yokado, a strong Japanese retailer, opened 14 additional Denny's Restaurants in 1982, bringing the total to 156 now in operation. Sales of these units were $100 million in 1982.

In Mexico, there are 20 Denny's Restaurants operated by a subsidiary of Sanborn-Hermanos, the largest restaurant operator in Mexico. Denny's, Inc. has 20% ownership in this joint venture operation.

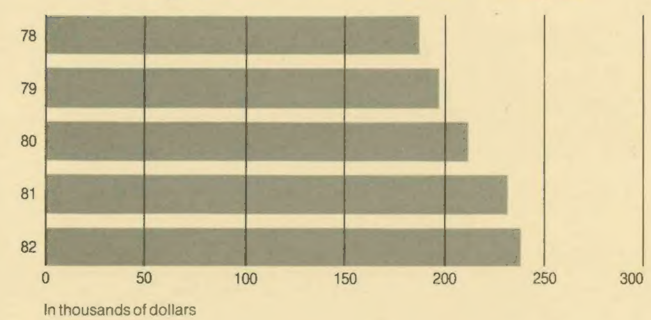
Two Denny's Restaurants and a "walk-up" Denny's, Jr., all three operated by the Company,

Donut Houses owned and leased

Donut House advertising expenditures



Average cost of new Donut Houses



opened in Hong Kong in 1982. In Hong Kong, the Company has 25% ownership with an option to acquire an additional 25%. A company operated Denny's also opened in Guam.

TWO DENNY'S RESTAURANTS AND A WALK UP DENNY'S, JR. ARE OPERATED BY THE COMPANY IN HONG KONG

Construction has begun on the first Denny's in Australia. Ansett Transport Industries, Limited, our Australian licensee, plans to open four units in the Melbourne area during the next year. Ansett is a major transportation and hotel operator.

We have signed a Donut House contract with Boo Hung S.A. & Co., Ltd., a large Korean clothing manufacturer and exporter. Winchell's will be the first U.S. donut chain in Korea, which we feel will be a considerable advantage. The first unit will open in the fall.

The Pacific Basin appears to offer the best opportunities for foreign expansion of our food-service concepts. It is relatively open and receptive to Western life styles and people in these countries desire to incorporate into their own way of life some of the eating out options that have been developed in the United States.

Production and Distribution

	1982	1981	1980	1979	1978
					($ in millions)
Revenues	$51.6	$34.6	$32.2	$32.6	$34.2
Operating income	$ 2.3	$ 1.4	$ 1.4	$ 1.2	$ 1.6
Operating margin	4.4%	4.2%	4.5%	3.7%	4.7%

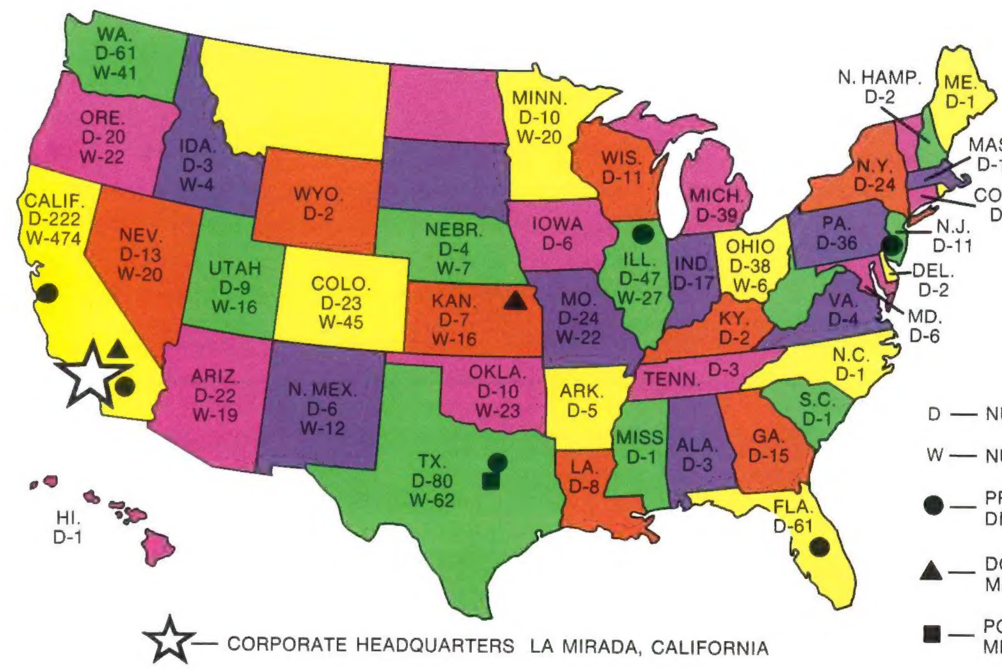
Products from our manufacturing facilities and hundreds of other items required by our Restaurants and Donut Houses are assembled and distributed from six regional warehouses across the United States by our subsidiary Proficient Food Company. With the 1980 deregulation of motor carriers, Proficient has been aggressive in developing private carrier activities and in providing distribution services to other restaurant chains to make use of otherwise idle capacity. Also, we continue to expand our backhaul program. Because of relatively fixed overhead and equipment costs, operating margins are improved when our trucks return to our distribution centers fully loaded.

In 1982, we continued the program of Proficient taking over responsibility for delivery to Winchell's Donut Houses. Approximately 500 Donut Houses are now being served on this basis, and the remainder of the chain will be served by Proficient in 1983. Proficient continues to distribute products to all Denny's Restaurants. The revenues and operating income shown above represent transactions with customers other than Denny's or Winchell's

SIX DISTRIBUTION CENTERS SERVICE DENNY'S AND WINCHELL'S NATIONWIDE

A line of meat products is processed by Portion-Trol Foods, Inc. located near Dallas, and over 20% of food purchases made by our Restaurant Division flow from this subsidiary. Portion-Trol managers work closely with the Restaurant Division in the development of new products. As an example, we have developed a line of frozen soups that previously were acquired from outside suppliers.

Additional manufacturing of products such as donut mixes and toppings, hot chocolate mix, pancake mix, shortenings, and syrups is carried out under the direction of the Donut House Division in processing plants in La Mirada, California, and Bonner Springs, Kansas. While these products are principally used in the preparation of donuts, a growing volume of products is being manufactured for Denny's Restaurants.



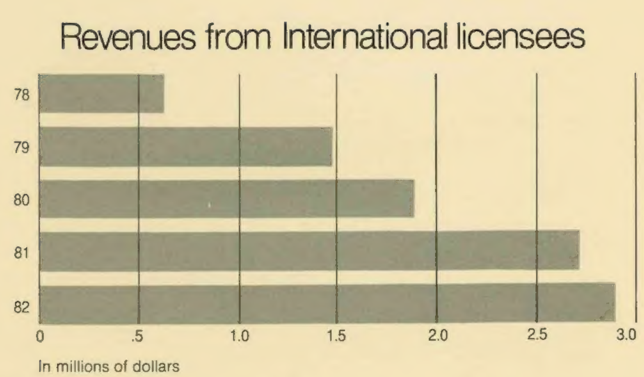
D — NUMBER OF DENNY'S RESTAURANTS

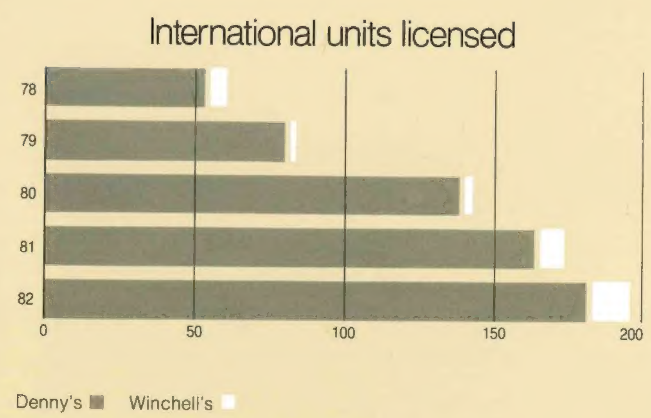
W — NUMBER OF WINCHELL'S DONUT HOUSES

● — PROFICIENT FOOD CO. DISTRIBUTION CENTERS

▲ — DONUT HOUSE DIVISION MANUFACTURING PLANTS

■ — PORTION-TROL MEAT PROCESSING PLANT





Financial Overview

The Company's financial condition and liquidity at June 1982 are the strongest in its history:

- Shareholders' equity reached $224.2 million, representing 47.6% of total capitalization. At June 1980 shareholders' equity was 36.9% of capitalization.
- Working capital provided from operations in 1982 amounted to $76.4 million and covered 100.7% of 1982 capital additions.
- In 1982, the Company added $9.8 million of long-term debt consisting primarily of notes secured against specific restaurant properties. This additional debt was the last drawing against a commitment arranged in 1980.
- Cash and short-term investments of $90.5 million at the end of 1982 was slightly above $89.1 million at June 1981.
- The ratio of current assets to current liabilities was 1.42 at year-end 1982 compared to 1.55 and 1.09 at the end of 1981 and 1980, respectively.

With the accelerated expansion in the Restaurant Division, capital requirements in 1983 will rise above levels of the past two years. While capital markets continue to go through rapid change, they still are not providing mortgage or capital lease opportunities as they had prior to 1981. It was out of concern for such circumstances that the Company took steps to be as liquid as we are today.

To the extent that 1983 capital requirements exceed internally generated funds, we have ample liquidity to cover such a shortfall. The Company also has unused short-term bank lines amounting to $15 million which can be increased.

Revenues and Income

Total systemwide sales represent domestic and Canadian company-operated Restaurants and Donut Houses, sales of domestic franchised Restaurants and sales of international licensees. These sales over the past five years are:

	1982	1981	1980	1979	1978
					($ in millions)
Systemwide sales	$1,045.5	$956.0	$788.0	$680.3	$571.3
% change from prior year	9.4%	21.3%	15.8%	19.1%	25.6%

Company revenues exclude the sales of franchised and licensed operations but include franchise and license fees from such sources:

	1982	1981	1980	1979	1978
					($ in millions)
Company revenues	$955.7	$849.0	$716.5	$623.9	$545.6
% change from prior year	12.6%	18.5%	14.8%	14.3%	26.0%
% of systemwide sales	91.4%	88.8%	90.9%	91.7%	95.5%

Net income grew at the following rates for the past five years:

	1982	1981	1980	1979	1978
					($ in millions except per share)
Net income	$ 36.8	$ 26.9	$ 17.0	$ 25.1	$ 24.3
% change from prior year	36.6%	58.7%	(32.3)%	3.1%	23.5%
% of Company revenues	3.8%	3.2%	2.4%	4.0%	4.5%
Primary net income per share	$ 2.47	$ 2.02	$ 1.30	$ 1.92	$ 1.88

Without the one-time write-off for unprofitable Donut Houses, net income for 1980 would have been $22.2 million. Primary net income per share would have been $1.70.

Income Taxes

Following are income tax rates for the past five years:

	1982	1981	1980	1979	1978
Income taxes as a % of income before income taxes	44.7%	44.5%	34.2%	42.0%	43.5%

Fluctuations in these rates principally result from smaller or larger investment tax credits, mostly from newly opened Company-operated retail units, in relationship to taxable income.

Denny's, Inc. U.S. income tax returns through the year ended June 1979 have been examined by the Internal Revenue Service and there were no unresolved issues.

Return on Investment

Denny's, Inc. return on average shareholders' equity for the last five years was:

	1982	1981	1980	1979	1978
Return on average shareholders' equity	17.5%	16.6%	11.8%	19.5%	22.3%

Net income was used to calculate the return. Continued improvement in this important indicator is one of the Company's principal financial goals.

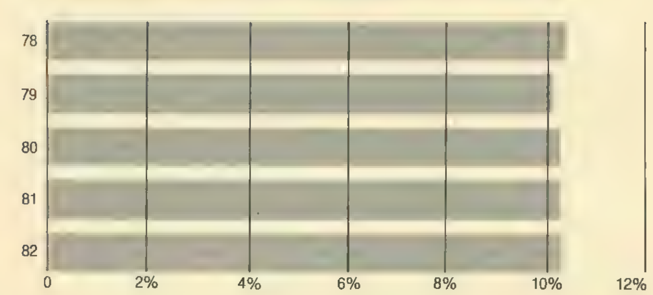
Common Stock

As of June 25, 1982, 4,000 shareholders owned Denny's stock. Shareholders' equity per common share has increased from $7.67 at June 1977 to $15.02 at June 1982.

Effective April 1, 1982 the Board of Directors declared a 3-for-2 split of the Company's common stock to increase the number of shares outstanding in the public's hands and thereby assist in broadening the market for the Company's stock.

At the same time, the Directors increased the

Interest rates



Average interest rate on outstanding debt during the year

quarterly cash dividend by 9%. Dividends per share for the last five years are:

	1982	1981	1980	1979	1978
Dividends per share	$.61⅓	$.58⅔	$.58⅔	$.54⅔	$.43⅓

The Company will consider additional dividend increases after giving consideration to return to investors, profitability expectations and financing needs.

The Company's common stock is traded on the New York and Pacific Stock Exchanges. The market price ranges on the New York Stock Exchange, representing the high and low closing prices for the periods indicated, were as follows:

	Fiscal 1982	Fiscal 1981
Quarter ending September	19⅞-14¾	14⅜-10⅜
Quarter ending December	21⅛-14¾	13½-11⅜
Quarter ending March	22⅞-18⅜	18 -12¼
Quarter ending June	26¾-21¾	21⅛-16¾

Employees

Following are statistics on Denny's, Inc. employees:

	1982	1981	1980	1979	1978
Total employees at year-end	49,700	49,400	46,700	39,400	38,100

Code of Business Conduct

Denny's, Inc. management and employees conduct themselves in accordance with a Code of Business Conduct, which requires compliance with all applicable laws and maintenance of highest integrity in the conduct of business. This code and its intent are widely communicated throughout the Company.

In addition, the Company maintains a system of internal accounting control designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that transactions are properly recorded and summarized to produce reliable financial records and reports, that assets are safeguarded, and that accountability for assets is maintained. The internal controls are made effective by careful selection and training of supervisory and management employees, augmented by a program of internal audit with management follow-up.

The Board of Directors exercises its responsibility to review the Company's financial reporting and accounting practices through its Audit Committee, consisting of three Directors, none of whom is an employee of Denny's, Inc. The Audit Committee meets periodically with management, the Company's internal auditors and Arthur Young & Company, the independent accountants. Both the internal auditors and the independent accountants have full and free access to the Audit Committee.

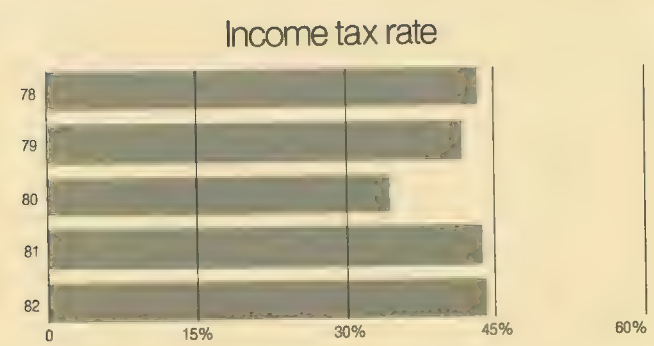
Statistical Review

QUARTERLY CONSOLIDATED FINANCIAL RESULTS (UNAUDITED)

(In thousands of dollars, except per share amounts)

Quarter ended	September		December		March		June		Year Ended June	
FISCAL YEAR	1982	1981	1982	1981	1982	1981	1982	1981	1982	1981
Revenues:										
Restaurants	$191,322	$163,619	$179,457	$157,390	$178,412	$162,817	$195,096	$176,835	$744,287	$660,661
Donut houses	38,284	36,383	39,696	38,984	38,602	38,034	39,965	37,642	156,547	151,043
Distribution and production	10,974	7,827	10,870	8,243	13,750	9,230	15,973	9,319	51,567	34,619
International	671	632	790	581	605	763	1,270	731	3,336	2,707
	$241,251	$208,461	$230,813	$205,198	$231,369	$210,844	$252,304	$224,527	955,737	849,030
Operating income of divisions:										
Restaurants	$ 15,242	$ 12,889	$ 10,353	$ 9,148	$ 8,585	$ 7,430	$ 14,639	$ 13,475	$ 48,819	$ 42,942
Donut houses	2,332	1,701	3,220	2,682	2,924	2,124	2,553	2,354	11,029	8,861
Distribution and production	468	364	448	335	639	380	739	366	2,294	1,445
International	452	449	537	316	245	545	557	441	1,791	1,751
	18,494	15,403	14,558	12,481	12,393	10,479	18,488	16,636	63,933	54,999
Corporate expenses not allocated to divisions:										
General and administrative	1,740	1,348	2,148	1,253	2,113	1,658	3,049	2,670	9,050	6,929
Employee profit sharing	1,246	824	973	680	820	572	1,169	952	4,208	3,028
Interest expense (income) — net	(4,346)	(138)	(3,851)	(185)	(3,410)	(885)	(4,194)	(2,268)	(15,801)	(3,476)
	(1,360)	2,034	(730)	1,748	(477)	1,345	24	1,354	(2,543)	6,481
Income before income taxes	19,854	13,369	15,288	10,733	12,870	9,134	18,464	15,282	66,476	48,518
Provision for income taxes	9,150	5,800	6,750	4,850	5,700	4,050	8,100	6,900	29,700	21,600
Net income	$ 10,704	$ 7,569	$ 8,538	$ 5,883	$ 7,170	$ 5,084	$ 10,364	$ 8,382	$ 36,776	$ 26,918
Net income per share:										
Primary	$ .72	$ .58	$ .57	$ .45	$ .48	$ .39	$ .70	$ .61	$ 2.47	$ 2.02
Fully diluted	.70	.56	.56	.44	.47	.38	.67	.59	2.40	1.97
Dividends per share	.14⅔	.14⅔	.14⅔	.14⅔	.16	.14⅔	.16	.14⅔	.61⅓	.58⅔

All per share financial data has been adjusted for the 3-for-2 stock split of April 1, 1982.



Denny's, Inc.
Consolidated Balance Sheets

ASSETS (in thousands of dollars)	June 25 1982	June 26 1981
Current assets:		
Cash	$ 730	$ 1,249
Short-term investments	89,812	87,829
Notes and accounts receivable	12,448	9,597
Inventories	36,175	31,244
Prepaid expenses	8,618	6,828
Deferred income tax benefit	7,314	6,400
Total current assets	155,097	143,147
Investments in foreign affiliated companies	4,363	4,430
Property, equipment and improvements, at cost:		
Land	65,986	53,971
Buildings	143,850	119,458
Equipment	197,749	176,636
Leasehold improvements	54,250	43,928
	461,835	393,993
Less accumulated depreciation and amortization	145,173	120,187
Net property, equipment and improvements	316,662	273,806
Leased property under capital leases	163,521	163,635
Less accumulated amortization	51,612	44,424
Net leased property under capital leases	111,909	119,211
Other assets:		
Notes and accounts receivable	5,113	5,133
Miscellaneous	5,123	5,585
Total other assets	10,236	10,718
	$598,267	$551,312

See financial comments on pages 27 to 31

LIABILITIES AND SHAREHOLDERS' EQUITY (in thousands of dollars)	June 25 1982	June 26 1981
Current liabilities:		
Accounts payable	$ 26,066	$ 19,389
Income taxes	6,509	6,384
Accrued payroll and related expenses	26,957	20,520
Other accrued liabilities	38,736	34,952
Current maturities of notes and obligations under capital leases	11,224	11,299
Total current liabilities	109,492	92,544
Long-term notes	96,033	92,674
5½% subordinated convertible debentures	8,881	8,881
Obligations under capital leases	131,134	135,780
Other liabilities	19,452	18,485
Deferred income taxes	9,100	7,518
Shareholders' equity:		
Common stock, $1 par value; 14,927,408 shares issued and outstanding (9,899,306 shares in 1981)	14,927	9,899
Additional paid-in capital	46,918	50,850
Retained earnings	162,330	134,681
Total shareholders' equity	224,175	195,430
	$598,267	$551,312

See financial comments on pages 27 to 31

Denny's, Inc.
Consolidated Statements of Income

(in thousands of dollars)	Years Ended June 1982	June 1981	June 1980
REVENUES	$955,737	$849,030	$716,509
COSTS AND EXPENSES:			
Cost of sales	709,703	635,718	539,246
Operating expenses	56,727	46,200	40,398
Rent, insurance and property taxes	33,223	31,126	27,915
Depreciation and amortization	35,877	33,879	30,129
Provision for donut house closing expenses	—	—	9,930
	835,530	746,923	647,618
Selling, general and administrative expenses	41,823	32,095	22,709
Employee profit sharing	4,208	3,028	1,912
Interest expense	24,979	24,808	21,751
Interest capitalized	(355)	(534)	(1,051)
Interest income	(16,924)	(5,808)	(2,194)
Total costs and expenses	889,261	800,512	690,745
INCOME BEFORE INCOME TAXES	66,476	48,518	25,764
PROVISION FOR INCOME TAXES	29,700	21,600	8,800
NET INCOME	$ 36,776	$ 26,918	$ 16,964
NET INCOME PER SHARE:			
Primary	$2.47	$2.02	$1.30
Fully diluted	2.40	1.97	1.29

All per share amounts have been adjusted for the 3-for-2 stock split of April 1, 1982.

See financial comments on pages 27 to 31

Denny's, Inc.
Consolidated Statements of Changes in Financial Position

(in thousands of dollars)	Years Ended June 1982	June 1981	June 1980
SOURCE (USE) OF FUNDS:			
Net income	$36,776	$26,918	$16,964
Items not affecting working capital:			
Deferred income taxes	1,582	2,740	(2,919)
Depreciation and amortization	35,877	33,879	30,129
Provision for donut house closing expenses	—	—	8,320
Other — net	2,156	4,102	3,144
Working capital provided from operations	76,391	67,639	55,638
Working capital items	6,462	12,535	11,918
Exercise of warrants and employee stock options	1,107	1,724	175
Sale of property, equipment and improvements	5,026	7,035	2,072
Cash dividends	(9,127)	(7,946)	(7,664)
Other — net	(1,275)	(4,172)	(549)
Total before investment and financing activities	78,584	76,815	61,590
Investment activity:			
Purchase of property, equipment and improvements	(73,452)	(38,655)	(61,319)
Leased property under capital leases	(2,380)	(6,948)	(33,517)
	(75,832)	(45,603)	(94,836)
Total before financing activity	2,752	31,212	(33,246)
Financing activity:			
Sale of common stock	—	28,245	—
Long-term borrowings	9,828	6,175	26,344
Obligations under capitalized leases	2,380	6,948	33,517
Payments and maturities of debt and capitalized lease obligations	(13,496)	(16,341)	(9,777)
	(1,288)	25,027	50,084
INCREASE IN CASH AND SHORT-TERM INVESTMENTS	1,464	56,239	16,838
CASH AND SHORT-TERM INVESTMENTS:			
Beginning of period	89,078	32,839	16,001
End of period	$90,542	$89,078	$32,839
ANALYSIS OF WORKING CAPITAL ITEMS:			
Notes and accounts receivable	$ (2,851)	$ 1,619	$ 3,625
Inventories	(4,931)	(624)	(1,107)
Prepaid expenses	(1,790)	699	(1,452)
Deferred income tax benefit	(914)	(800)	(457)
Accounts payable	6,677	(1,950)	928
Income taxes	125	4,266	1,856
Accrued payroll and related expenses	6,437	3,313	2,641
Other accrued liabilities	3,784	4,258	8,653
Current maturities of notes and obligations under capital leases	(75)	1,754	(2,769)
	$ 6,462	$12,535	$11,918

See financial comments on pages 27 to 31

Denny's, Inc. Consolidated Statements of Shareholders' Equity

(in thousands of dollars)	Common stock	Additional paid-in capital	Retained earnings	Total shareholders' equity
BALANCES — JUNE 29, 1979	$ 8,702	$21,903	$106,409	$137,014
Net income	—	—	16,964	16,964
Exercise of employee stock options	13	162	—	175
Cash dividends — $.58⅔ per share	—	—	(7,664)	(7,664)
BALANCES — JUNE 27, 1980	8,715	22,065	115,709	146,489
Net income	—	—	26,918	26,918
Sale of common stock	1,100	27,145	—	28,245
Exercise of warrants and employee stock options	84	1,640	—	1,724
Cash dividends — $.58⅔ per share	—	—	(7,946)	(7,946)
BALANCES — JUNE 26, 1981	9,899	50,850	134,681	195,430
Net income	—	—	36,776	36,776
Three-for-two stock split	4,965	(4,975)	—	(10)
Exercise of employee stock options	63	1,043	—	1,106
Cash dividends — $.61⅓ per share	—	—	(9,127)	(9,127)
BALANCES — JUNE 25, 1982	$14,927	$46,918	$162,330	$224,175

All per share amonuts have been adjusted for the 3-for-2 stock split of April 1, 1982.
See financial comments on pages 27 to 31

Financial Comments

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements include the accounts of the Company and its domestic and foreign subsidiaries, all of which are wholly-owned. All significant inter-company transactions are eliminated. The results of foreign operations and the gain or loss on translation of foreign currency into U.S. dollars has not been significant.

The consolidated financial statements for 1981 and 1980 have been reclassified to conform to the presentations for 1982.

Depreciation, amortization, maintenance and repairs

Depreciation and amortization are provided principally on the straight-line method over the estimated useful lives of the respective assets. The costs of maintenance, repairs and replacing china, glassware, utensils, etc., are charged to expense as incurred.

Income taxes

The Company and its domestic subsidiaries file a consolidated federal income tax return. Deferred income taxes are provided on transactions which affect income for financial reporting and tax purposes in different years. Investment tax credits reduce the provision for income taxes based upon the flow-through method.

Pre-opening expenses

Operating payroll and other expenses related to the opening of new Restaurants and Donut Houses are charged to expense as incurred.

Net income per share

Primary net income per share computations are based on the weighted average number of common shares outstanding (14,869,000 shares in 1982, 13,294,000 shares in 1981 and 13,063,000 shares in 1980), excluding the dilutive effects of outstanding stock options and warrants, since their effects are not material.

Fully diluted net income per share computations reflect the assumed exercise of stock options and warrants based on end-of-period market prices under the "treasury stock" method and the assumed conversion of the 5½% subordinated convertible debentures at the beginning of each year. The weighted average number of shares used in the fully diluted computations was 15,434,000 in 1982, 13,773,000 shares in 1981 and 13,413,000 in 1980.

Short-term investments

Short-term investments of $89,812,000 in 1982 and $87,829,000 in 1981, consisting of certificates of deposit and other interest bearing short-term investments, are stated at cost which approximates market.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market, and consist of supplies, ingredients and small equipment not yet installed in units.

Disposition of operating units

The Company provides for the estimated losses related to the sale or other disposition of operating units in the period the decision is made to dispose of such units.

Capitalized interest

Interest costs are capitalized as part of construction costs and carrying cost of land to reflect the total cost of the property. Interest is capitalized by applying the effective interest rate on borrowings to costs incurred during the development and construction period.

BUSINESS SEGMENT INFORMATION

The Company operates in three segments of the foodservice industry: Restaurants operated primarily under the "Denny's" trademark, Donut Houses operated under the "Winchell's" trademark and Distribution and Production facilities which support both the Restaurant and Donut House operations.

The International Division of the Company generates revenues primarily through the licensing of the "Denny's" and "Winchell's" trademarks in foreign countries.

Set forth below is selected financial information by business segment in accordance with Statement of Financial Accounting Standards No. 14 — "Financial Reporting for Segments of a Business Enterprise."

Operating profits shown below (as defined by Statement No. 14) for Restaurants, Donut Houses, and Distribution and Production differ from the amounts shown elsewhere in the Company's Annual Report primarily for two reasons: (1) The below amounts exclude interest expense attributable to mortgage notes payable and capitalized lease obligations related to those assets employed by these business segments. The excluded interest expense is included in "Operating profit — Adjustments and Corporate" in the table below along with operating results of the International Division, corporate interest expense, corporate general and administrative expenses, and consolidated employee profit sharing expense (which is based on consolidated income without regard to the income contribution by business segment), and (2) For Distribution and Production, the below amounts include operating profit on intersegment sales. Operating margins and pricing for Distribution and Production are substantially the same for both intersegment and unaffiliated sales.

(In thousands of dollars)	Restaurants	Donut Houses	Distribution and Production	Adjustments and Corporate	Total
FISCAL 1982					
Unaffiliated sales	$744,287	$156,547	$ 51,567	$ 3,336	$955,737
Intersegment sales	—	—	252,379	(252,379)	—
Total revenue	744,287	156,547	303,946	(249,043)	955,737
Operating profit	73,380	13,461	12,174	(32,539)	66,476
Depreciation and amortization	26,073	6,479	2,310	1,015	35,877
Capital expenditures	66,471	4,194	4,423	744	75,832
Assets identifiable by business segment	384,924	67,025	41,127	105,191	598,267
FISCAL 1981					
Unaffiliated sales	$660,661	$151,043	$ 34,619	$ 2,707	$849,030
Intersegment sales	—	—	229,220	(229,220)	—
Total revenue	660,661	151,043	263,839	(226,513)	849,030
Operating profit	64,188	10,163	10,128	(35,961)	48,518
Depreciation and amortization	24,286	6,531	2,230	832	33,879
Capital expenditures	34,930	3,573	5,673	1,427	45,603
Assets identifiable by business segment	344,435	71,167	32,606	103,104	551,312
FISCAL 1980					
Unaffiliated sales	$541,349	$141,069	$ 32,233	$ 1,858	$716,509
Intersegment sales	—	—	179,647	(179,647)	—
Total revenue	541,349	141,069	211,880	(177,789)	716,509
Operating profit	50,727	(3,036)	8,963	(30,890)	25,764
Depreciation and amortization	21,244	6,599	1,845	441	30,129
Capital expenditures	80,125	12,222	2,039	450	94,836
Assets identifiable by business segment	336,003	79,745	33,311	39,976	489,035

INCOME TAXES

The provision for income taxes consists of the following:

	1982 Current	1982 Deferred	1981 Current	1981 Deferred	1980 Current	1980 Deferred
United States	$24,704,000	$746,000	$15,855,000	$2,021,000	$10,248,000	$ (3,581,000)
Foreign	609,000	(78,000)	1,129,000	(81,000)	551,000	205,000
State	3,719,000	—	2,676,000	—	1,377,000	—
	$29,032,000	$668,000	$19,660,000	$1,940,000	$12,176,000	$ (3,376,000)

Deferred income taxes result from certain items entering into the determination of financial income in a period different than for taxable income. The principal timing differences were as follows:

	1982	1981	1980
Property depreciation	$ 4,135,000	$ 4,010,000	$ 3,400,000
Donut House disposal costs	819,000	2,312,000	(4,730,000)
Capital leases	(2,059,000)	(2,201,000)	(1,500,000)
Partial self-insurance	156,000	(542,000)	(1,400,000)
Other — net	(2,383,000)	(1,639,000)	854,000
	$ 668,000	$ 1,940,000	$ (3,376,000)

The following table provides a reconciliation between the provision for income taxes as shown in the consolidated statements of income and the provision for income taxes computed by applying the federal income tax rate to income before income taxes:

	1982	1981	1980
Computed provision for income taxes at 46% rate	$30,579,000	$22,318,000	$11,851,000
Increase (decrease) in taxes resulting from:			
Investment tax credits	(2,100,000)	(2,100,000)	(3,800,000)
State income taxes, net of federal tax benefit	2,008,000	1,445,000	744,000
Other — net	(787,000)	(63,000)	5,000
Provision for income taxes	$29,700,000	$21,600,000	$ 8,800,000

INVESTMENTS IN FOREIGN AFFILIATED COMPANIES

Investments in foreign affiliated companies consist of minority interests in companies which operate Denny's restaurants in Mexico and Hong Kong and a corporate joint venture formed to build and operate a hotel and condominium complex in Acapulco, Mexico. Revenues and net income related to such investments are not material.

LONG-TERM NOTES

A summary of long-term notes, exclusive of current maturities, follows:

	1982	1981
Mortgage notes payable, 7% to 13.25%	$99,374,000	$93,158,000
9% unsecured note payable semi-annually through August 1983	1,180,000	2,180,000
Other, 6% to 11.25%	1,785,000	4,092,000
Less current maturities	(6,306,000)	(6,756,000)
Total long-term debt	$96,033,000	$92,674,000

Principal amounts payable on the above notes are as follows: 1984 — $4,655,000; 1985 — $4,605,000; 1986 — $5,008,000; 1987 — $5,263,000; and 1988 — $5,488,000 and the balance thereafter.

Mortgage notes (which mature over various terms to 20 years) relate to land, buildings and equipment purchased or constructed by the Company. These obligations are payable in monthly and quarterly installments. At June 25, 1982, land, buildings, equipment and improvements with an aggregate net book value of approximately $131,338,000 were mortgaged under these obligations. Under the Company's unsecured note agreement the Company is required, among other things, to maintain a minimum amount of consolidated working capital and consolidated tangible net worth. Unrestricted consolidated retained earnings at June 25, 1982 amounted to $46,618,000.

Included in "Other" above is a loan denominated in Japanese yen which amounted to $1,400,000 at June 25, 1982 and $3,670,000 at June 26, 1981. The loan is due quarterly through September 30, 1982.

OTHER ACCRUED LIABILITIES

Included in other accrued liabilities are provisions for partial self-insurance for workers' compensation claims, employee medical benefits, property damage and liability claims, and accruals for property taxes. The amounts accrued at June 25, 1982 and June 26, 1981 are as follows:

	1982	1981
Partial self-insurance	$ 9,005,000	$ 6,318,000
Property taxes	8,411,000	7,843,000
	$17,416,000	$14,161,000

DEBENTURES

In March 1969, Denny's International N.V., a subsidiary, issued $15,000,000 of 5½% Subordinated Convertible Guaranteed Debentures due 1989. All of the assets and liabilities of Denny's International N.V., have been assumed by Denny's International, Inc., a domestic wholly-owned subsidiary of the Company. The debentures are convertible into the Company's common stock at $26.28 per share (subject to certain anti-dilution provisions) and are guaranteed by the parent company. Under the indenture, annual sinking fund payments of $850,000 are required commencing March 1, 1980, or they may be satisfied through submission of debentures. The debentures are redeemable at 101%, declining annually to 100¼% in 1985. During 1981 and 1980, the Company purchased debentures having principal amounts of $608,000 and $809,000 respectively for the treasury. No debentures were purchased during the current year.

LEASES AND COMMITMENTS

The Company leases many of its Restaurant and Donut House sites for varying periods. Some of the Restaurant sites were leased through subsidiaries with a parent company guarantee usually limited to the first seven to fifteen years. The majority of the lease terms are for 15 to 20 years, contain renewal options and provide for minimum rents or a rent based on a percentage of sales, whichever is greater. Under the terms of the leases, the equipment of certain of the Company's subsidiaries is pledged to secure performance.

Building leases which meet certain criteria are designated as capital leases and are recorded as if the Company had acquired the related assets through debt financing. The assets are classified on the balance sheets as "Leased property under capital leases" and the related liabilities as "Obligations under capital leases." This accounting method results in the recording of interest expense and amortization for such leases rather than rental expense for financial reporting purposes. This accounting method is not utilized for income tax purposes. The land element of the Company's leases and certain other leases which do not meet the criteria of capital leases are classified as operating leases; accordingly, the rental expense related to the land element and other leases is recorded in the period such rental expenses are incurred.

At June 25, 1982 obligations under capital leases (excluding property taxes and insurance) had minimum rentals payable of approximately $20,100,000 annually for fiscal 1983 through 1987. Aggregate rentals due under the lease terms of approximately $296,631,000 have been reduced by imputed interest of $160,579,000 resulting in a capitalized lease obligation of $136,052,000 at June 25, 1982.

Aggregate future minimum rentals under operating leases (excluding property taxes and insurance) at June 25, 1982 are $187,168,000 and are payable as follows: 1983—$14,388,000; 1984—$14,018,000; 1985 — $13,575,000; 1986 — $13,001,000; 1987 — $12,290,000 and the balance thereafter.

Net rental expense on noncancellable leases entering into the determination of consolidated results of operations is as follows:

	1982	1981	1980
Additional rentals on capital leases based on sales	$ 5,946,000	$ 5,211,000	$ 3,985,000
Operating leases:			
Minimum rentals	15,025,000	15,322,000	13,653,000
Additional rentals based on sales	1,137,000	1,006,000	888,000
	22,108,000	21,539,000	18,526,000
Sublease rental income	(1,985,000)	(2,076,000)	(3,378,000)
Net rental expense	$20,123,000	$19,463,000	$15,148,000

CAPITAL STOCK

On January 19, 1982 the Board of Directors declared a 3-for-2 stock split which was distributed April 1, 1982 to shareholders of record on March 10, 1982. The stock split was effected by the issuance of three shares of $1.00 par value common stock in exchange for every two shares then outstanding. The par value of the 4,965,221 shares issued and cash paid-in-lieu of fractional shares was charged to paid-in capital.

The Company's authorized capital stock consists of 30,000,000 shares of $1.00 par value common stock, as adjusted, and 5,000,000 shares of no par value preferred stock with rights to be determined by the Board of Directors upon issuance. No shares of preferred stock are outstanding.

Shares of common stock, as adjusted, reserved at June 25, 1982 were as follows:

Conversion of 5½% subordinated convertible debentures	337,938
Exercise of outstanding options	563,896
Available for future grants under employee stock option plans	110,488
	1,012,322

STOCK OPTIONS

The Company provides stock options under its Qualified Stock Option Plan and Non-Qualified Stock Option Plan (the Plans), covering 750,000 and 600,000 shares (adjusted for the 3-for-2 stock split of April 1, 1982) respectively, to officers and key employees of the Company. During the year ended June 25, 1982 the Company amended the Plans for the purpose of treating options granted pursuant to such plans as Incentive Stock Options (ISO's) where permissible under the Economic Recovery Tax Act of 1981. Additionally, the Plans were amended so that options become exercisable at the annual rate of 50 percent (ISO) or 25 percent (Non-ISO) beginning one year from date of grant. All qualified options expire five years from the date of grant and non-qualified options ten years from date of grant. The exercise price of options granted under the Plans may not be less than 100% of the fair market value of the common stock on the date the option is granted.

On August 13, 1982 the Board of Directors adopted, subject to approval of the Company's shareholders, amendments to the 1978 Non-Qualified Plan which will increase the number of shares available for grant of options under the Plan by an additional 745,000 shares and extend the term of the Plan from its current expiration date of November 1, 1988 to August 12, 1992. The Company's Qualified Stock Option Plan terminated on August 1, 1982.

The following tabulation (adjusted for the 3-for-2 stock split of April 1, 1982) summarizes the changes in options outstanding under the Plans during the years ended June 25, 1982 and June 26, 1981:

	1982	1981	1980
Outstanding at beginning of year	517,407	297,243	354,206
Granted	168,153	416,700	—
Exercised	(79,006)	(73,688)	(19,350)
Cancelled	(42,658)	(122,848)	(37,613)
Outstanding at end of year	563,896	517,407	297,243
Exercisable at end of year	221,939	98,120	171,931
Option price ranges related to the above:			
Granted	$19.75	$12.17-$18.25	—
Exercised	$12.83-$15.33	$10.33-$15.75	$ 6.59-$10.33
Outstanding at end of year	$12.17-$19.75	$12.17-$18.25	$10.33-$15.75

The aggregate option price for the 563,896 shares under options outstanding was $8,913,020.

PROFIT SHARING RETIREMENT PLAN

The Company has a contributory trusteed profit sharing retirement plan under which all eligible employees with at least one year of continuous service may participate. The Company's annual contribution to the plan ranges from 1% to 6% (or more at the discretion of the Board of Directors) of domestic income before income taxes and profit sharing expense.

Report of Certified Public Accountants

The Board of Directors and Shareholders
Denny's, Inc.

We have examined the accompanying consolidated balance sheets of Denny's, Inc. at June 25, 1982 and June 26, 1981, and the related consolidated statements of income, shareholders' equity and changes in financial position for each of the three years in the period ended June 25, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Denny's, Inc. at June 25, 1982 and June 26, 1981, and the results of operations and changes in financial position for each of the three years in the period ended June 25, 1982, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

Orange County, California
August 13, 1982

Information on Effects of Changing Prices and Inflation

Financial Accounting Standards Board (FASB) Statement No. 33 — "Financial Reporting and Changing Prices" requires the experimental reporting of company financial statements, presently prepared at "Historical Cost" in accordance with generally accepted accounting principles, in restated formats which are intended to disclose certain effects of inflation and changing prices. The recommended presentations include two methods: constant dollar and current cost.

Constant Dollar

Constant dollar is an accounting method used to adjust historical currency transactions into units of the same (constant) general purchasing power which theoretically removes the effects of general inflation. The FASB requires the use of the Consumer Price Index for all Urban Consumers (CPI-U) (1967 = 100) which is a broad-based, general index that measures general inflation on a national basis for various commodities and services. Accordingly, the Company cautions against the use of this information for estimating the real effects of inflation specifically on Denny's, Inc.

Current Cost

The current cost method measures the effect of changes in specific prices on selected assets and related costs and produces results which differ from constant dollars for Denny's, Inc. because the increase in specific prices of the Company's property and equipment has generally been less than the increase in general inflation. Current costs were estimated by applying externally and internally generated price indices to the historical cost of specific property and equipment components. The adjusted data reflects the estimated current cost of actual assets owned (reproduction cost), not the estimated cost of assets required to replace existing assets (replacement cost). The Company believes that the current cost data has limitations which should be recognized when using current cost information.

Analysis of Supplemental Information

In reporting net income under the constant dollar and current cost approaches, all revenues and expenses, except depreciation and amortization and other amounts related to non-monetary items, are adjusted from average to year-end dollars. Depreciation and amortization, which reflect the same methods and estimated lives used in the historical cost financial statements, have been adjusted as follows to reflect the adjusted cost of assets:

	1982	1981
Historical cost	$35,877,000	$33,879,000
Constant dollar	57,440,000	52,889,000
Current cost	55,950,000	51,230,000

However, in accordance with the FASB guidelines, the provision for income taxes has not been adjusted for increased depreciation and amortization expense which has a significant impact on the effective income tax rate as the following illustrates:

	1982	1981
Historical cost	44.7%	44.5%
Constant dollar	63.7%	67.9%
Current cost	60.5%	64.6%

The gain from increase in purchasing power of net amounts owed results from the effect of inflation on debt repayments compared with the money received when borrowed. The effect of inflation on property and equipment and related depreciation is inseparable from its effect on the debt and interest which finance such assets. Accordingly, the Company believes that the purchasing power gain on the debt should be recognized as an adjustment to interest and has included it in arriving at constant dollar net income. Such gain amounted to $17,179,000 in 1982 and $24,276,000 in 1981. Inventory, which is included in current assets in the following supplemental information, is not affected by inflation since it turns over rapidly.

Summary

The financial position of Denny's, Inc. has remained strong in an inflationary economy. The real estate orientation of our business and the purchase or lease of significant amounts of real estate assets combined with our vertical integration, rapid inventory turnover, and ability to adjust menu prices enable us to continue to minimize the effects of inflation.

While the accompanying constant dollar and current cost data is intended to provide information about the more significant effects of inflation on the Company, we believe there are limitations as to its meaningfulness for the various reasons indicated above.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(In thousands of dollars, except per share data)

	June 25, 1982			June 26, 1981		
	Historical cost	Constant dollar	Current cost	Historical cost	Constant dollar	Current cost
Assets:						
Current assets	$155,097	$ 155,097	$155,097	$143,147	$143,147	$143,147
Investments in foreign affiliated companies	4,363	4,363	4,363	4,430	4,430	4,430
Property and equipment, at cost	625,356	1,001,201	975,242	557,628	872,139	844,151
Less accumulated depreciation and amortization	196,785	315,055	306,886	164,611	257,455	249,752
Net property and equipment	428,571	686,146	668,356	393,017	614,684	594,399
Other assets	10,236	11,320	11,756	10,718	11,802	12,238
Total assets	$598,267	$ 856,926	$839,572	$551,312	$774,063	$754,214
Liabilities and Shareholders' Equity:						
Current liabilities	$109,492	$ 109,492	$109,492	$ 92,544	$ 92,544	$ 92,544
Long-term debt, debentures and lease obligations	236,048	236,048	236,048	237,335	237,335	237,335
Other long-term liabilities	19,452	19,452	19,452	18,485	18,485	18,485
Deferred income taxes	9,100	9,100	9,100	7,518	7,518	7,518
Shareholders' equity	224,175	482,834	465,480	195,430	418,181	398,332
Total liabilities and shareholders' equity	$598,267	$ 856,926	$839,572	$551,312	$774,063	$754,214
Shareholders' equity per share	$ 15.02	$ 32.35	$ 31.18	$ 13.16	$ 28.16	$ 26.83

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(In thousands of dollars, except per share data)

	Year Ended June 25, 1982			Year Ended June 26, 1981		
	Historical cost	Constant dollar	Current cost	Historical cost	Constant dollar	Current cost
Revenues	$955,737	$ 985,582	$985,582	$849,030	$887,979	$887,979
Costs and expenses:						
Operating expenses	835,530	882,064	880,574	746,923	798,550	796,891
General, administrative and other expenses	46,031	47,468	47,468	35,123	36,828	36,828
Interest expense — net	7,700	7,940	7,940	18,466	19,313	19,313
Total costs and expenses	889,261	937,472	935,982	800,512	854,691	853,032
Income before provision for income taxes	66,476	48,110	49,600	48,518	33,288	34,947
Provision for income taxes	29,700	30,627	30,627	21,600	22,591	22,591
Income before purchasing power gain	36,776	17,483	$ 18,973	26,918	10,697	$ 12,356
Purchasing power gain on net amounts owed	—	17,179	$ 17,179	—	24,276	$ 24,276
Net income	$ 36,776	$ 34,662		$ 26,918	$ 34,973	
Per share:						
Income before purchasing power gain	$ 2.47	$ 1.17	$ 1.28	$ 2.02	$ .80	$ .93
Purchasing power gain on net amounts owed	—	1.15	$ 1.15	—	1.83	$ 1.83
Net income	$ 2.47	$ 2.32		$ 2.02	$ 2.63	

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)
(In thousands of dollars)

	1982			1981		
	Historical cost	Constant dollar	Current cost	Historical cost	Constant dollar	Current cost
Balance at beginning of year (1)	$195,430	$ 418,181	$398,332	$146,489	$316,562	$322,752
Adjustment to reflect general inflation during the year	—	38,273	36,456	—	44,794	45,670
Balance at beginning of year in year-end constant dollars	—	456,454	434,788	—	361,356	368,422
Activity for the year:						
Income before purchasing power gain	36,776	17,483	18,973	26,918	10,697	12,356
Purchasing power gain on net amounts owed	—	17,179	17,179	—	24,276	24,276
Excess of increase in general prices (over) under increase in current cost of property and equipment (2)	—	—	2,822	—	—	(28,574)
Sale of common stock	—	—	—	28,245	28,360	28,360
Cash dividends	(9,127)	(9,412)	(9,412)	(7,946)	(8,311)	(8,311)
Other	1,096	1,130	1,130	1,724	1,803	1,803
Balance at year-end	$224,175	$ 482,834	$465,480	$195,430	$418,181	$398,332

(1) Constant dollar and current cost amounts reflect the cumulative effect of changing prices, including purchasing power gains on net amounts owed.

(2) Increases in the current cost of property and equipment for 1982 and 1981 were $59,577,000 and $46,314,000 respectively.

SELECTED ADDITIONAL FINANCIAL DATA IN YEAR-END 1982 DOLLARS (Unaudited)
(In thousands of dollars, except per share data)

	1982	1981	1980	1979	1978
Total revenues	$985,582	$951,149	$895,174	$883,522	$845,181
Constant dollar information:					
Income before purchasing power gain	17,483	11,458	8,035		
Per share	1.17	.86	.62		
Shareholders' equity at year-end	482,834	437,630	378,162		
Current cost information:					
Income before purchasing power gain	18,973	13,235	9,459		
Per share	1.28	1.00	.72		
Shareholders equity at year-end	465,480	416,858	385,557		
Excess of increase in general inflation over (under) increase in current costs	(2,822)	30,607	40,362		
Other information:					
Purchasing power gain on net amounts owed	17,179	26,003	42,603		
Per share	1.15	1.96	3.26		
Cash dividends per share	.61	.66	.73	.77	.67
Market price per share at year-end	25.50	21.24	12.62	16.55	31.99
Consumer price index at year-end	290.6	271.3	247.6	216.6	195.3

All per share amounts have been adjusted for 3-for-2 stock split of April 1, 1982.

Corporate and Division Officers

Corporate

Vern O. Curtis
President and Chief Executive Officer

David H. Bixler
Vice President, General Manager Denny's Restaurant Division

Carol A. Campbell
Treasurer

Leonard H. Dreyer
Corporate Controller

Robert I. Higgins
Vice President, General Manager International Division

Vincent A. Lambiase
Vice President, General Manager Winchell's Donut House Division

Roger K. Mercier
Vice President Corporate Development, General Counsel and Secretary

John D. Radebaugh
Vice President and Chief Financial Officer

Terrence J. Wallock
Associate General Counsel and Assistant Secretary

William O. Yantz
Vice President Distribution, General Manager Proficient Food Company

Denny's Restaurant Division

David H. Bixler
General Manager

Ralph E. Butz
Vice President Design and Construction

Richard N. Jackson
Vice President Operations

James J. Kuhn
Vice President Operations

Barry E. Krantz
Vice President Marketing

Howard F. Massey
Vice President Operations

Donald L. Pierce
Vice President Finance

K. Michael Shrader
Vice President Human Resources

Stock Transfer Agent and Registrar

Bank of America
National Trust and Savings Assoc.
Corporate Agency Division
555 South Flower Street
Los Angeles, California 90071

Auditors

Arthur Young & Company
3200 Park Center Drive
Costa Mesa, California 92626

Executive Offices

Denny's, Inc.
16700 Valley View Avenue
La Mirada, California 90637

Winchell's Donut House Division

Vincent A. Lambiase
General Manager

Carl E. Hass
Vice President Administration

John D. Hatch
Vice President Marketing

George F. Hellick
Vice President Operations

Linda A. Henson
Vice President Human Resources

Richard D. Salamida
Vice President Property Development

International Division

Robert I. Higgins
General Manager

Santiago Echevarria
Vice President Development

James A. Noble
Vice President Asian Operations

Proficient Food Company

William O. Yantz
General Manager

Michael J. McClister
Vice President Marketing/Distribution

Brock E. Partin
Vice President Distribution/Transportation

Portion-Trol Foods

Richard P. Berutti
General Manager

Board of Directors

R. Albert Beck
Senior Vice President, Bourns, Inc.

Joseph H. Coulombe
President, Trader Joe's Markets

Vern O. Curtis
President and Chief Executive Officer, Denny's, Inc.

Wayne H. Fisher
Chairman of the Executive Committee, Lucky Stores, Inc.

Ellison L. Hazard
Corporate Director

Gavin Miller
Partner, Hufstedler, Miller, Carlson and Beardsley

Ralph D. Schlesinger
President, Lane Development Company

Verne H. Winchell
Chairman of the Board of Directors, Denny's, Inc.

Listing of Securities

The Company's common stock is listed on the New York Stock Exchange and the Pacific Stock Exchange. Its symbol is DEN.

Availability of 10-K

Shareholders and other interested parties who would like a copy of Form 10-K, the Annual Report filed with the Securities and Exchange Commission, may request one by writing to the Executive Offices of the Company, Attention: Corporate Controller.

Denny's, Inc.

Denny's Restaurants/Winchell's Donut Houses